

SNOHOMISH COUNTY FIRE PROTECTION DISTRICT NO. 8
Snohomish County, Washington
Special Audit
January 1, 1992 Through July 27, 1994

Schedule Of Findings

1. Public Funds Were Misappropriated And Accounting Records Were Falsified Or Altered

Our audit of the financial records of Snohomish County Fire Protection District No. 8 revealed that at least \$9,227.81 in public funds was misappropriated by Ms. Judy De La Vergne, the district secretary, during the period January 1, 1992, through July 27, 1994. Accounting records were falsified or altered in an attempt to conceal these losses. There were no federal funds involved in this case. The schedule below summarizes these losses and other unauthorized transactions.

<u>Description of Transactions</u>	<u>Amount</u>
Fraudulent Expenditures:	
District Goods And Services	\$4,301.58
Personal Goods And Services	846.61
Petty Cash	1,026.30
Travel	1,416.93
Employee Birthday Fund	856.39
Duplicate Transactions	30.00
Missing Supporting Document	<u>750.00</u>
Total Fraudulent Expenditures	<u>9,227.81</u>
Unauthorized Expenditures:	
Catering And Other Services	2,962.88
Travel	1,606.46
Dental	412.90
Payroll	<u>8,284.79</u>
Total Unauthorized Expenditures	<u>13,267.03</u>
Total Fraudulent And Unauthorized Expenditures	<u>\$22,494.84</u>

Ms. De La Vergne processed fraudulent and unauthorized expenditure transactions for a wide variety of non-public purposes. These transactions are further described below.

- a. Fraudulent Expenditures: Ms. De La Vergne created fraudulent supporting documents for many expenditure transactions.

(1) District Goods And Services: There were 20 fraudulent transactions totaling \$4,301.58.

Ms. De La Vergne prepared invoices made payable to herself for food and catering services which were never provided or mileage and meals relating to travel which was never incurred. She prepared vendor invoices for goods and services which were never received. She also reused invoices which had previously been paid through the accounts payable system as documentation to support reimbursements of the Petty Cash Fund.

(2) Personal Goods And Services: There were four fraudulent transactions totaling \$846.61.

Ms. De La Vergne purchased goods for her own personal use and then charged them to the district. One invoice issued in the name of Ms. De La Vergne was changed to the name of the district. Other invoices had hand-written notations indicating that goods had been purchased on behalf of the district although they were never received by the district.

(3) Petty Cash: There were 17 fraudulent transactions totaling \$1,026.30.

Ms. De La Vergne prepared petty cash vouchers documenting expenditures which never occurred. She then signed them by forging the signatures of other district employees.

(4) Travel: There were six fraudulent transactions totaling \$1,416.93.

Ms. De La Vergne prepared travel expense vouchers in the name of other employees for mileage and meals relating to travel even though district vehicles were used and meals were paid by using the district's credit card or through direct payments to vendors. She then forged the signatures of these employees on these vouchers.

(5) Employee Birthday Fund: There were 19 fraudulent transactions totaling \$856.39.

Ms. De La Vergne used receipts from expenditures associated with the district's Employee Birthday Fund to support reimbursements of the Petty Cash Fund.

(6) Duplicate Transactions: There was one fraudulent transaction totaling \$30.00.

Ms. De La Vergne submitted the same \$30.00 receipt for voucher numbers 425 (June 18, 1992) and 377 (June 4, 1992) to support reimbursements of the Petty Cash Fund.

(7) Missing Supporting Document: There was one fraudulent transaction totaling \$750.00.

In addition to being falsely approved, there were no supporting documents on file for voucher number C-16 (December 2, 1993). This transaction was made payable to the Petty Cash Fund.

- b. Unauthorized Expenditures: Ms. De La Vergne processed unauthorized transactions for many expenditure transactions.

(1) Catering And Other Services: There were 14 unauthorized transactions totaling \$2,962.88.

Ms. De La Vergne prepared invoices made payable to herself for catering services which were never authorized by the district. Food purchases for this purpose were authorized; however, Ms. De La Vergne was to submit grocery store receipts as support for these Petty Cash Fund transactions. Instead, she invoiced these purchases to the district as food and catering services at increased amounts. In most cases, food preparation for these catering events actually occurred during Ms. De La Vergne's normal working hours at the district.

Ms. De La Vergne also prepared invoices made payable to her family and friends for babysitting and landscaping services which were never authorized by the district.

(2) Travel: There were 14 unauthorized transactions totaling \$1,606.46.

Ms. De La Vergne paid herself for mileage driven on official district business even though a district vehicle was always available for her use. She reportedly drove her own personal vehicle as a convenience because smoking was not permitted in the district's vehicle.

(3) Dental: There were two unauthorized transactions totaling \$412.90.

Ms. De La Vergne paid herself or her dentist for care which was neither covered by the district's health care plan nor authorized by the district.

(4) Payroll: There were 15 unauthorized transactions totaling \$8,284.79.

Although a salaried employee, Ms. De La Vergne paid herself over \$4,920.79 in unauthorized overtime. Of this amount, only \$701.43 was supported by entries on her employee time sheet.

Ms. De La Vergne also paid herself \$3,364.00 in other earnings. These payments were not authorized by the district. In addition, her employee time sheets did not further support or explain these transactions.

- c. Documentation Alteration, Falsification, And Forgery:

(1) Voucher Approval: There were 27 instances of irregular voucher approvals.

In addition to the alterations and forgeries noted above, Ms. De La Vergne falsified the commissioners' approval on district vouchers. Although the commissioners regularly approved district vouchers, the listings on file at the district were often incomplete and differed significantly from those retained on file at the county. The district's copy of the listings failed to indicate payments which were made directly to Ms. De La Vergne, her family, her friends, or for unusually large replenishments of the Petty Cash Fund.

Ms. De La Vergne employed two different methods to obtain the necessary commissioner signatures on these voucher listings.

(a) The first method consisted of reprinting a second voucher listing which included the fraudulent and unauthorized transactions. She then placed a cutout of actual commissioner signatures on the second voucher listing and photocopied the two documents. The result made it appear as though the commissioners had signed the second, larger voucher listing. As a result, the voucher listing on file at the county did not contain original commissioner signatures.

(b) The second method was employed when two page voucher listings were necessary. Ms. De La Vergne again made two sets of voucher listings. She omitted questionable payments from page one of the first set, and included them on page two of the second. She subsequently provided the commissioners with page one from the first set and page two from the second. The commissioners then signed the second page. Ms. De La Vergne then provided the county with the complete second set, including the commissioners' signatures.

(2) Warrant Register: There were four instances of irregular warrant register entries.

Ms. De La Vergne eliminated payments made to herself or her family by whiting out these transactions on the district's copy of the warrant register. She then typed in a different payee on the altered lines of the warrant register to conceal these transactions.

d. Vacation Accrual Record: There was one instance of an irregular vacation accrual record entry.

Ms. De La Vergne paid herself through payroll for 200 hours of unused vacation time. However, vacation accrual records maintained by Ms. De La Vergne indicated payment for only 100 hours of this vacation time. This discrepancy was corrected prior to her resignation.

Ms. De La Vergne was the district secretary during the period of this loss. In this capacity, she was solely responsible for the district's cash receipting and disbursement functions. On July 23, 1994, Ms. De La Vergne confessed to district officials that she had misappropriated public funds during the period of her employment. She subsequently resigned on July 27, 1994.

RCW 42.20.070 states:

Every public officer, and every other person receiving money on behalf or for or on account of the people of the state or of any department of the state government or of any bureau or fund created by law in which the people are directly or indirectly interested, or for or on account of any county, city, town, or any school, diking, or irrigation district who;

(1) Shall appropriate to his or her own use of any person not entitled thereto, without authority of law, any money so received by him or her as such officer or otherwise; or

(2) Shall knowingly keep any false account, or make any false entry or

erasure in any account, or relating to any money so received by him or her; or

(3) Shall fraudulently alter, falsify, conceal, destroy or obliterate any such account; or

(4) Shall willfully omit or refuse to pay over the state, its officer or agent authorized by law to receive the same, or to such county, city, town, or such school, diking, drainage, or irrigation district or to the proper officer or authority empowered to demand and receive the same, any money received by him or her as such officer when it is a duty imposed on him or her by law to pay over and account for the same, shall be punished by imprisonment in a state correctional facility for not more than fifteen years.

RCW 9A.56.030 states:

Theft in the first degree. (1) A person is guilty of theft in the first degree if he commits theft of;

(a) Property or services which exceed(s) one thousand five hundred dollars; or

(b) Property of any value from the person of another.

(2) Theft in the first degree is a class B felony.

RCW 9A.60.020 states:

Forgery. (1) A person is guilty of forgery if, with intent to injure or defraud:

(a) He falsely makes, completes, or alters a written instrument or;

(b) He possesses, utters, offers, disposes of, or puts off as true a written instrument which he knows to be forged.

(2) Forgery is a class C felony.

RCW 9A.20.021 states in part:

(1) Felony. No person convicted of a classified felony shall be punished by confinement or fine exceeding the following:

(b) For a class B felony, by imprisonment in a state correctional institution for a maximum term of not more than ten years, or by a fine in an amount fixed by the court of not more than twenty thousand dollars, or by both such imprisonment and fine.

(c) For a class C felony, by confinement in a state correctional institution for five years, or by a fine in an amount fixed by the court of ten thousand dollars, or by both such confinement and fine

The following internal control weaknesses allowed this misappropriation to occur and not

be detected in a timely manner. There was an inadequate segregation of duties. Practically all of the functions of cash receipting and disbursements were the sole responsibility of the district secretary. However, there was no periodic management review of the work performed by the district secretary which would accomplish the same objective as a segregation of duties between two or more employees.

- a. Petty Cash: One person was responsible for processing cash receipts, requesting reimbursements and reconciling the petty cash account. No one independent of this function reviewed these transactions to ensure that petty cash expenditures were properly authorized and for official public purposes.
- b. Vouchers: One person was responsible for preparing the district's vouchers, preparing the voucher listing for commissioner approval, picking up related warrants at the county, and mailing the warrants to vendors. No one independent of these functions reviewed this activity to ensure that the voucher listing signed by the commissioners agreed with the warrant register, and that expenditures were properly authorized and for official public purposes.

In addition, the district had not obtained a personnel dishonesty bond for district employees.

We recommend Snohomish County Fire Protection District No. 8 seek recovery of the misappropriated \$9,227.81 and related audit/investigation costs from Ms. De La Vergne. We further recommend the Washington State Office of Attorney General and the Snohomish County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of claim must be approved in writing by the Attorney General and the State Auditor as directed by RCW 43.09.260.

We also recommend the district review its overall accounting controls over petty cash and vouchers, correct the weaknesses outlined above, and implement an effective system of internal control designed to ensure the protection of public assets. Controls should include obtainment of a personnel dishonesty bond.